



**IOWA FINANCE**  
AUTHORITY

**Take Credit  
Mortgage Credit Certificate (MCC)  
Program  
February 2016**

# Learning Objectives



**Learn what has changed in the  
Take Credit Program for 2016**

**Refresh knowledge of program  
eligibility & benefits**



# 2016 Take Credit Program Overview

## Available Funds

- \$80 mm of mortgages
- Estimated 770 home buyers



## Effective Date

- Reservations open Jan 11, 2016 for Take Credit Participating Lenders
- Current amounts must be used by end of 2017

# 2016 Take Credit Program Overview

## MCC Benefits to Borrowers

- Up to \$2,000 federal tax credit each year for life of mortgage (up to 30 yrs)
- Credit Rate = 50% of annual mortgage interest paid
- Re-issuance at Refinance
- Potential Transferability at Sale



# 2016 Take Credit Program Overview

## How does a borrower get the credit?

1. Apply for financing with a Take Credit participating lender
2. Lender reserves funds in the IFA Lender Online portal
3. Lender collects and submits application, eligibility docs, & any fees to IFA
4. IFA reviews and provides “conditional commitment” prior to closing
5. Lender closes loan and submits post-close documentation to IFA within 30 days of closing
6. IFA ensures complete post-close package and issues MCC to borrower
7. Borrower takes credit at tax time

**Note:** Borrower is responsible for safeguarding the credit certificate and the associated forms



# 2016 Take Credit Program Overview

1. **Eligible Financing**
2. **Buyer/Borrower Eligibility**
3. **Eligible Properties**



# Take Credit Eligible Financing

## First Mortgage Financing

1. Homes for lowans
2. Other 30-year Fixed Rate Financing Offered by Lender

## Entry Cost Assistance

1. Homes for lowans Plus \$2,500 Grant
2. Military Homeownership Assistance Program \$5,000 Grant
3. Other “approved community seconds” according to agency guidelines

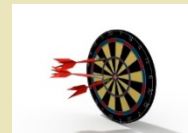


# Take Credit Borrower Eligibility

**Borrower must be income eligible AND**

**One of the following:**

- **First time home buyer**, defined as someone without ownership interest in a primary residence in last 3 years,  
OR
- **Military veteran**, discharged other than dishonorably with no previous participation in mortgage revenue bond program,  
OR
- Purchasing a home in a **targeted area**



NOTE – non-occupying co-borrowers are not allowed for the MCC  
or in any IFA programs



# Borrower Eligibility

## Verification of First Time Home Buyer

### First Time Home Buyer

- Last 3 years Federal tax returns\*
- Verification of rent (if current address different from last tax return)
- Divorce decree if within last three years

### Exempt Veteran

- DD-214 discharge status
- Borrower certification of no prior use of tax exempt financing (MCC 01)

# Take Credit Borrower Income Eligibility

- Income limits are set annually for each county by household size.
- Current income limits available on our website at:  
<http://www.iowafinanceauthority.gov/Public/Pages/PC93LN10>



# Borrower Income Eligibility

## Defining, Calculating and Verifying Income

- Income must be projected for 12 months following closing
- Include all sources – even those not used for underwriting
- Always use “Best Case Income”
- Pre-Close Compliance Review is NOT approval; Pay attention to conditions related to income
- Includes income of the borrower, borrower’s spouse, plus any other title holders and their spouses.

**\*Refer to the [Single Family Income Eligibility](#) resource for a complete definition of income.**

**\*Refer to [Eligibility Verification Documentation](#) guide to see what specific documents are needed for income verification.**

# Take Credit Property Eligibility

## Eligible Property

- Within purchase price limits
- New purchase (no prior ownership interest)
- Immediate occupancy by eligible borrower
- Primary residence

## Not Eligible

- Excess Land (more than 1 parcel)
- Personal Property
- Secondary Residences or Investment Properties
- Properties used primarily for business or trade – if any income may be produced on the subject property, review with IFA Loan Production Specialist in advance



# Property Eligibility

## Acquisition Cost/Purchase Price Limits

2016 PURCHASE PRICE LIMITS	
Targeted Areas	\$316,000
Non-Targeted Areas	\$258,000



# Property Eligibility

## Acquisition/Purchase Price Limits Definition

Includes all costs to acquire subject property:

- “in kind” or seller benefit such as non-tax pro ration
- costs to complete home (excluding buyer labor to complete property)
- cost of lot owned < 2 years

**NOTE: Acquisition Cost must be less than Purchase Price Limit.**



# Property Eligibility Verification

- Purchase agreement
  - All addendums & referenced attachments.
  - If personal property is included, IFA requires a disinterested 3<sup>rd</sup> party valuation
  - Additional parcels of land
  - For new construction, documentation costs if lot owned less than 2 years
- Appraisal



# IFA MCC Issuance Process

## Steps:

1. Lender takes loan application
2. Lender reserves MCC in Lender Online
3. Lender uploads Compliance Review Package (and sends IFA \$350 borrower application fee, if applicable) no less than 5 business days prior to closing
4. IFA completes Pre-closing Program Compliance Review
5. Lender satisfies any conditions
6. IFA issues Notice of Conditional Commitment
7. Lender closes loan
8. Lender delivers closed loan package to IFA
9. IFA conducts Post-close Program Compliance Review
10. Lender satisfies any Post-close conditions
11. Lender delivers completed Post-close package to IFA within 30 days of loan close
12. IFA determines final eligibility
13. IFA Issues Mortgage Credit Certificate to Mortgagor with Copy to Lender





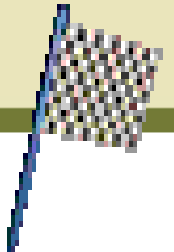
# Pre-Close Process Tips

- MCC is a separate reservation from first mortgage in Lender Online
- Reservation expires after 60 days
- IFA does not review/approve underwriting – follow agency guidelines
- Commitment Notice must be received prior to closing
- Iowa Title Guaranty required

# Post-Close Process Tips

## Tips:

- Take Credit funding is limited – commitment may be reduced if commitment expires before compliance documents submitted and funds run out
- IFA must receive a completed Post-close package within 30 days of closing.
- If loan amount changes after commitment is issued, check with IFA to determine funding availability
- Educate your borrower to be sure they get full MCC benefit – they will thank you for years to come!



# Borrower Benefit Overview

**Example: \$100,000 30-Yr Loan at 3.75% Interest**

	With MCC	No MCC	
Income	\$62,000	\$62,000	
Annual Mortgage Interest Paid	\$3,750	\$3,750	
Taxable Income	\$51,700	\$51,700	
Tax Liability	\$8,788	\$8,788	
MCC Tax Credit ( $\$3,750 \times 50\%$ )	\$1,875	n/a	
Income Tax Due	\$6,913	\$8,788	Savings of \$1,875

Note: Remaining Mortgage interest paid can be itemized (\$1,875)

# Borrower Benefit Overview

**Example: \$100,000 30-Yr Loan at 3.75% Interest**

Resources on website:

- Sample Form 1040 Income Tax Return with MCC Form 8396
- Sample Form 1040 Income Tax Return without MCC
- Sample calculation of converting tax credits to withholding allowances on W-4



# MCC Recapture of Federal Mortgage Subsidy

The potential for Federal Recapture Tax occurs only if ALL three of the following are met:

1. The home is sold or disposed of in the first nine years from closing date
2. The sale/disposition of the home created a gain for the borrower (after deducting various costs I.E. selling costs, improvements, etc.)
3. Family income increased above the MCC Program Eligibility Income Limits at time of closing by 5%, compounding each year.

# MCC Recapture of Federal Mortgage Subsidy

If recapture tax is triggered:

The most a borrower will owe will be the lesser of 50% of the gain on the sale/disposition or .0625% of the loan amount.

However, the recapture tax will depend upon how much time has passed since closing, the manner in which the property is disposed of , the amount of gain and several other factors.

\*\*\*Best practice is to consult your tax advisor.

# IRS Compliance Documents

- Affidavit of Purchaser (MCC 01)
  - First time home buyer status
  - Household income
  - Acquisition cost
  - Exempt veteran status
- Recapture Notice (MCC 02)
- Seller Affidavit (MCC 03)



# Lender Reporting & Recordkeeping

## Reporting

- Annual submission of IRS Form 8329 (Report available in Lender Online)
  - Sample Form 8329 on website
  - Borrower is included only in the year of initial receipt of MCC or any subsequent reissue.

## Recordkeeping

- Borrower record maintenance 6 years
- Name, Address, and TIN or SSN of MCC holder
- Name, Address, and TIN of IFA
- Date mortgage closed, certified indebtedness amount (loan amount), MCC rate (as specified on certificate)





# Fees & Compensation

## Borrower Fees

### Permitted Financing Fees

- Usual and reasonable financing fees

### MCC Fees

- Lender may charge up to \$250 for MCC processing fee (Cannot be funded with IFA DPA grants)
- IFA application fee of \$350 if using non-IFA financing
- IFA application fee is \$0 if using Homes for Iowans first mortgage

## Lender Sign-up Fees

Annual lender participation fee of:

- \$250 for current IFA Participating Lenders plus \$150 per additional branch OR
- \$550 for non-IFA Participating Lenders plus \$150 per additional branch

### **\*New for 2016 – MCC Program only**

- **Reservation Re-lock Fees**
- \$100 for 10-day relock
- **Commitment Extension Fee**
- \$200 per 30-day extension

**\* IFA now requires all fees to be paid electronically**

# Easy Lender Sign-Up

**Submit By Email to [Lender.Inquiry@iowa.gov](mailto:Lender.Inquiry@iowa.gov) :**

- Lender Sign-up Request Form available on website at <http://www.iowafinanceauthority.gov/WhoYouAre/Lender>

**IFA will send:**

- Lender Participation Agreement
- Invoice & Instructions for Fee Payment

**NOTE: A fully executed Take Credit Lender Participation Agreement and payment of the annual fee is required to become a 2016 Take Credit Lender.**

**\* IFA now requires all fees to be paid electronically**

# 2016 Take Credit Program

## Questions?



[www.IowaFinanceAuthority.gov](http://www.IowaFinanceAuthority.gov)

[Lender.Inquiry@iowa.gov](mailto:Lender.Inquiry@iowa.gov)

1-800-432-7230



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